

CABINET: MINUTES

Date: 7th January 2005

Time: 10 00 am – 10 35 am

Present: Councillor J K Walters (Chairman)

Councillors: S F Johnstone, V H Lucas, A K Melton, L J Oliver, D R Pegram, J A Powley, J E Reynolds and F H Yeulett

Also in Attendance

Councillors C M Ballard, P J Downes, J L Gluza, A C Kent and S J E King

Apologies for Absence: Councillor R Wilkinson

591. DECLARATIONS OF INTEREST

None.

592. COUNTY COUNCIL BUDGET RESPONSE FROM SPECIAL POLICY SCRUTINY AND AUDIT COMMITTEE (PSAC) 6th JANUARY

The Policy Scrutiny and Audit Committee had met on 6th January 2005 to scrutinise the proposed cash limits and Schools Budget for 2005/06. Members of the Education, Libraries and Heritage Scrutiny Committee and the Chairmen of the Environment and Transport Scrutiny Committee and Social Services Scrutiny Sub-Committee had also been invited to attend and participate in the discussion of the proposals. The Committee's discussions had been based on the proposals contained in the report on the Cabinet agenda and also took account of comments expressed at the Budget Advisory Panel meetings in November.

At the invitation of the Chairman, The Chairman of PSAC Councillor Downes set out the main points of the response.

In respect of the Schools Budget and passporting PSAC:

- Welcomed the proposed Schools Budget which was expected to achieve full passporting of funds to schools.
- Noted that the proposed Schools Budget came closer to a standstill Budget for schools than previously feared and included additional provision to meet the cost of statutory workforce reforms in schools.
- Noted that schools were expecting to achieve 2% efficiency savings (equivalent to approximately £5m) but that this sum had not been taken into account in the passporting calculations or in the assessment of a

standstill budget. (Note at Cabinet the correction was made that the percentage figure for efficiency savings should have been 2.5%).

- Emphasised the importance of transparency and clarity in communicating the funding settlement to schools.

In respect of Cash Limits, PSAC requested that consideration should be given to protecting funding or restoring cuts in the following areas:

- Maintaining the capacity of LEA central functions, particularly in relation to the assessment of children with special educational needs
- Continuing the delivery of Heritage services
- Supporting mental health services
- Continuing provision of Clothing Vouchers
- Sufficient officer capacity being provided within Environment and Transport to support the implementation of Structure Plan infrastructure
- Highways Maintenance
- Funding of Jointly Funded Highways Minor improvements
- Increasing funding for the Youth Service beyond the extra £150,000 provisionally planned
- Avoiding the reduction of one post in the Youth Offending Service
- Avoiding reductions in grants for preventative work

Councillor Downes reported that PSAC had been sceptical about the ability of the Council to achieve the budgeted savings in Social Services, particularly in the context of the volatility in the demand for services and the need to repay overspends in previous years. They had welcomed the Leader's opposition to any further restriction in the Social Services Eligibility Criteria.

On the Capital Programme PSAC had noted that no significant capital/revenue funding switches had been proposed in the development of the Budget 2005/06.

On the consultation arrangements PSAC:

- Supported the proposal to consult on 3%, 4% and 5% increases in Council Tax, given the Leader's view that an increase above 4.9% would attract capping.
- Noted that the delay this year in the Government announcement of the Revenue Support grant (RSG) had resulted in the paper-based consultation leaflet having to be replaced by a web-based consultation and that as this would target a specific audience, there were implications which needed to be explored if this method of consultation was to be adopted in future years. PSAC asked that they should be involved in both its further development, and in appraising its effectiveness.

In response, the Chairman welcomed the positive comments made by PSAC. He wished to emphasise that it would be wrong to make assumptions that the level of funding now proposed by the Government had

alleviated all pressures on the Schools Budget. It was explained that even with current passporting and guarantees, the range of significant pressures to be met, including workforce reform, meant that it was not possible to consolidate the £1.2m advance of grant from last year into the Schools Budget.

It was stated that the official Government Retail Price Index (RPI) was now 3.4% while the indexing for pensions announced previously had been 3.1%.

Cabinet noted that PSAC had not put forward any specific view on the preferred level of Council Tax.

It was resolved:

- i) To note and take account of the views of the Policy Scrutiny and Audit Committee (PSAC) when considering the report on Revenue Budget Cash Limits for 2005/06.
- ii) To agree that PSAC should be involved in reviewing the implications of the web-based budget consultation exercise.

593. ISSUES FROM NOVEMBER BUDGET ADVISORY PANELS

The Budget Advisory Panel (BAP) meetings in November had taken place before the Government's announcement of the RSG settlement and therefore at that time it had not been possible to look at detailed budget proposals. The service proposals presented had been based on the possible requirement of limiting the Council Tax increase to only 3%, to avoid Council Tax Capping. This would have involved possible service cuts/reductions totalling £13.6m. The recently announced Revenue Support Grant proposals no longer required the same level of severe service cuts highlighted at the original BAP meetings. However, it was indicated that £8.2m of savings would still be required, should a Council Tax increase of 4% be agreed, following the consultation exercise and the further report due to be presented to Cabinet on 25th January.

Cabinet had carefully considered the comments as set out in the notes from the BAP panels which in summary were not to agree the most extreme levels of cuts set out under each service area.

Particular Members drew attention to specific sections within the report to highlight:

- Concerns that the Council's Local Transport Plan Settlement could be reduced as the Council was currently not spending its full allocation on Transport.
- Concerns about the impact of budget reductions in Heritage Services

- The need to establish the costs of integration for the new office of Children's Services sooner rather than later.
- That the high costs associated with the Waste PFI bid would still be considerably cheaper than the option of doing nothing.

It was resolved:

To note the issues raised by the Budget Advisory Panels as part of the consideration of the Report on Revenue Budget Cash Limits for 2005/06.

594. REVENUE CASH LIMITS FOR 2005/06

Cabinet had previously received a report on the Provisional Revenue Support Grant (RSG) settlement on 14th December 2004. The main points of the provisional Budget announcement were that: -

- Cambridgeshire's Formula Spending Share (FSS) for 2005-06 would be £500.3m, an adjusted increase of 7.6% on the current year.
- The ceiling on grant increases had been removed and grant increases for floor authorities was to be funded through scaling back of grant increases for those authorities above the floor.
- The Council should expect to receive a grant increase of 11.2% but that £2.2m of grant funding had still been lost due to the scaling back of the increase.
- Representations had been made to the Government as agreed by Cabinet on 14th December urging that the changes to the funding of floors should be maintained in the final settlement and also registering the fact that Cambridgeshire's total losses in grant over the three years had now amounted to £22m with no indication of any reimbursement being offered.

The report to Cabinet sought approval on provisional Cash Limits for the preparation of Service Block Budget reports for the two Budget Seminars and for the public consultation exercise being undertaken during January. The proposed cash limits were on the basis of a 4% increase in Council Tax. In arriving at the proposed cash limits, account had been taken of inflation, demographic changes, legislative and other pressures and significant efficiency savings and other reductions necessary to set a Council Tax increase at a level considered reasonable by Cabinet. The final decision on the level of Council Tax increase would be dependent on the outcome of the public consultation in January.

Cabinet noted that whilst the position for 2005-06 was now much clearer following detailed budget preparation work and the Provisional RSG settlement, there were still factors that might require revisions to the budget strategy including the responses from the public consultation, the Final RSG Settlement, the estimates by District Councils of Council Taxbase, and the surpluses/losses on Collection Funds maintained by District Councils.

The Medium Term Service Plan (MTSP) and Council Tax proposals for 2005-06, and the following two years, would be to:

- Direct resources primarily towards the improvement of existing services in preference to initiatives that created new services or spending pressures.
- Facilitate constructive working with Partners to deliver services jointly, fairly and within available resources.
- Achieve 'Passporting targets' for 2005-06.
- Retain existing eligibility criteria in Social Services.
- Continue to achieve at least 2% efficiency savings.
- Return a fair share of 'Ceilings Campaign' grant to services and to council taxpayers.
- Continue to operate with General Reserves (balances) at a prudent level.

An oral amendment was given in respect of the table in paragraph 2.4 of the officers report which provided the comparison between the proposed budget strategy and the provisional FSS with the "Total spending £m" column figure being changed from £9.4m to £11m which also then required changing the total spending % from 1.9% to 2.2%.

It was reported that the total budget requirement for 2005/06 was £510,697,000. The Council's formula grant (RSG plus business rates) had increased by £34.1m, but increases in inflation and demography alone totalled £26.5m leaving little room for additional investment in new areas.

The anticipated cost of inflation between 2004-05 and 2005-06 was £16.9m, an average of 3.5%, in part a reflection of local Cambridgeshire factors such as a buoyant local economy which contributed to increased prices and costs and overall was a level of inflation higher than that often quoted by Government as the national level of inflation.

Details were provided of the provision for pay awards and it was noted that there had been a substantial increase in Employers' pensions contributions for Local Government staff (18.3%). as well as considerably higher inflation increases on insurance (9.1%) and electricity costs (13.5%).

Attention was drawn to the very high increases in inflation costs of areas where the County Council was required to buy-in services and had no control over the charges being levied e.g. 7.3% for some Social Services Independent Providers, 4.0% on Highways Maintenance, 4.3% on Highways Consultants and 6.3% on Transport Contract costs.

Members of Cabinet commented that these figures required to be given greater publicity as they reflected local government inflation costs well above the RPI for shopping for goods in the high street. As a further illustration, it was reported that some specialist child referrals were showing a 30% increase in costs charged.

There was a query regarding the inflation figure assumed for Highways maintenance of 4% and officers were asked to confirm in the next report to Cabinet the correct inflation figure, as some Members of Cabinet had understood that it was higher at 7%. *(It has since been confirmed that the figure for highways maintenance inflation is 7% and that this latter figure has been used both for the provision now being made and the cost expected to be borne)*

Details were provided on:

- The transfer of functions by Government that had resulted in a net transfer into FSS of £3,352,000. The comment was made that in Social Services some service function transfers had not been met by the appropriate increase in FSS.
- The costs of £9.6m for 2005-06 provided for demographic factors. It was highlighted that Cambridgeshire was the fastest growing county in England entailing significant costs for providing services to an expanding population.
- Spending Pressure Costs of £21.7m for 2005-06, many resulting from legislative change, including a contribution to the costs incurred by schools in implementing some of the Government's workforce reforms.
- Savings of £8.2m required for 2005-06 in order to deliver a budget within available resources,.

It was reported that within the Education, Libraries and Heritage (ELH) cash limit, the proposed Schools Budget was £242.4m including funding delegated to schools at the start of the year under the schools funding formula, and also funding spent on individual pupils, but not delegated to schools. It was estimated that this Budget would meet the three criteria expected by the Secretary of State for Education and Skills namely:

- Passporting the full increase in Schools FSS to the Schools Budget.
- Achieving the national per pupil increase guarantees of 5% for Primary and Nursery Schools and 4% for Secondary and Special Schools.
- Restricting the rate of increase in non-delegated items of the Schools Budget to no more than the rate of increase in the delegated schools budget.

An indicative three-year draft Capital Programme was provided which would be finalised by the 25th January Cabinet meeting. One Member drew attention to current anomalies in the total cost figure table provided at 5.2. These figures would be revised for the next report to Cabinet.

It was noted that while cash limits for 2006-07 and 2007-08 had been announced as part of Spending Review 2004, there remained considerable uncertainty over future years' resources. These were as a result of factors that could not currently be predicted including whether additional resources

added for 2004-05/2005-06 would remain in the base budget beyond 2005-06, the impact of ring-fenced schools funding from 2006-07, and the move to three-year budget settlements.

Cabinet's attention was drawn to the Government's assumption that the national increase in Council Tax for County Councils without fire responsibilities should be no greater than 4.9%. Given the Ministerial expectation of average increases below 5% (and the capping intention that accompanied it) it was expected that a Council Tax increase of 4%, if agreed following consultation, would maintain the County Council's position as one of the lowest council tax levels of Shire Counties.

Cabinet noted the details of the extensive programme of public consultation which was to take place and that following these, the views of the public, Schools Forum, Heads and Governors and other interested parties would be considered by Cabinet on 25th January, before making final recommendations on the Council's budget. The proposals for consultation included Council tax rises of 3%, 4% and 5% and each would be explained in terms of the service cuts required and the likelihood of incurring Government capping.

A Cabinet member drew Cabinet's attention to the fact that St Ives Library was currently not included as one of the venues in Huntingdon for public consultation on the budget options. Officers were asked to look at setting up an additional budget consultation session at this venue.

The Chairman reported that should substantial changes be required to the Schools Block FSS between the current Cabinet and the meetings of Cabinet on 25th January and the Council on 15th February, he would not be agreeing these under delegated powers but would report them back to a special Cabinet meeting, in order to obtain Cabinet approval. The delegation to the Leader as set out in the officers' report was only appropriate for minor changes.

It was resolved:

- a) To approve the provisional cash limits in Appendix 1 of the officers report as the basis for:
 - i) Public consultation on the Council's proposed budget strategy and Council Tax increase;
 - ii) Directors and Portfolio Holders to present detailed budget proposals to Cabinet on 25th January;
 - iii) The submission of the Council's proposed "Schools Budget" to the Secretary of State for Education and Skills.

- b) To agree to delegate to the Leader of the Council the authority to:
 - i) Make any changes to cash limits and any minor changes to the "Schools Budget" that might be required as a result of any additional information that emerged during January and with the final Government settlement;
 - ii) Approve the consultation process to consider Council Tax rises of 3%, 4% and 5% and the consultation materials as set out in the officer's report.
- c) To ask that the officers to look at including St Ives Library as an additional venue for the forthcoming budget consultation exercise.

Chairman
25th January 2005

APPENDIX 1 – SUMMARY CASH LIMITS FOR 2005-06

(1)	Budget 2004-05 (2) £000	Inflation (3) £000	Govt. Transfers of Functions (4) £000	Demog- raphy (5) £000	Spending Pressures (6) £000	Savings (7) £000	Estimate 2005-06 (8) £000
Education, Libraries and Heritage	265,912	8,488		1,490	10,786	-1,605	285,071
Environment and Transport	36,647	2,054		276	817	-925	38,869
Policy:							0
- Direct and Support Services	21,927	1,251	719	50	1,291	-819	24,419
- Financing and Debt Charges	20,718	-13			4,350	-360	24,695
Social Services	119,791	5,034	3,450	7,818	4,499	-4,512	136,080
Contributions to Other Bodies							
Magistrates' Courts Committee	817		-817				0
Environment Agency - Flood Levies	314	58					372
TOTAL SERVICE SPENDING	466,125	16,872	3,352	9,634	21,743	-8,221	509,506
Joint Structure Plan Projects	300						300
LPSA Reward Grant	-250						-500
Good Housekeeping Fund							1,500
Contribution to (+) or from (-) balances	-80						-109
BUDGET REQUIREMENT	466,095						510,697
Less:							
Business Rates	-140,759						-173,783
Revenue Support Grant	-161,288						-165,123
Collection Fund Deficit/Surplus	-376						
COUNTY PRECEPT	163,672						171,791